

Financial inclusion: An innovative tool for economic growth and prosperity: A study on the opportunities and challenges in rural Dakshina Kannada district.

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Abstract

It is well known fact that three-fourth of India's population live in villages and semi-urban places. Even after 69 years of independence, unfortunately these areas have been neglected for a long time and as such they lack in infrastructural development. Financial issues confronted by the rural people are many. Government is the link between policy and practice and should address the socio-economic problems affecting the rural population. Self-Help Group (SHG) being a small voluntary association of rural poor people, framed for the purpose of solving their problems and for mutual help. Through the delivery of financial services to the low income group, they play a vital role in rural Dakshina Kannada district. The greatest challenge in any financial sector today is cost of managing the funds. The two most powerful institutions in society today for financial inclusion are business and government. The present study attempts to ascertain the role of SHGs in managing the financial needs of rural people and their satisfaction. Various statistical tools were used to analyse the collected data. Relevant books and journals referred to arrive at findings.

Key words: Financial Inclusion, Opportunities, rural population, Self Help Groups (SHGs)

Introduction

Financial Inclusion plays an important role in the economic development of a country by enhancing competitiveness among people. In recent times, it has been given priority as an important policy objective around the world. Financial inclusion is a strategic instrument of development policy for any country. Hence, many countries across the world have taken an initiative through their central banks or regulations to foster financial inclusion in their respected countries. The present focus of policies to promote financial inclusion is really outstanding. Micro finance as a financial tool has emerged since last decades in rural India. Its promise to help the poor by providing financial services is seen as the major reason for its support.

With the ever increasing importance of financial inclusion, the relation between microfinance and SHGs has been considered as area of study. India is gaining importance world-wide as a country for investment hub. As a result it enjoys high inflow and outflow of investments. To reduce poverty and for economic growth government has launched different subsidy driven programs and rural development programs. In order to reduce poverty Nehru Rojgar Yojana(NRY), Prime Minister Rozgar Yojana(PMRY) and recently to encourage saving habits Pradan Mantri Jana Dhan Yojana (PMJDY) has been launched by government of India. For the removal of financial crisis formation of SHGs and micro-finance has been encouraged in various states of the country.

Micro-finance and SHGs are not a new phenomenon in India. During 1990's Self-Help Group(SHG) has emerged as the most successful program for promoting the empowerment of women through mutual financial help. Over the last few years, there has been a great concern and commitment on the part of the government for the development of rural people. Financial inclusion is considered as one of the central issue .The role of SHGs are not mere financial assistance but also includes inculcation of saving habits and providing credit facility for their consumption and also for productive purpose. It also aims at developing leadership quality, entrepreneurship development, and creating awareness about socio-economic issues etc. The rural population are generally unskilled and poor. Majority of the population depends on wage paid employment for their livelihood. They are unable to fulfil the security requirement of banks to get financial help. As a part of financial inclusion, micro finance provided to the women through SHGs has helped to generate income, employment and in turn their status in the society.

Objectives

The following are the main objectives of the study:

1. To identify the reasons that makes the rural people to join SHGs and their preference.
2. To examine the awareness level of rural people on Self help groups as a financial inclusion program.
3. To measure the significant perception of people towards financial services offered by the bank and SHGs.

4. To identify innovative opportunities for rural population as a financial inclusion programme.

Methodology

The study used both primary and secondary data to analyze the objectives framed and to obtain the findings. As a source of primary data a structured questionnaire was prepared to collect data. It was administered to the respondents in Puttur Taluk of Dakshina Kannada district. To investigate the awareness of rural people awareness on micro finance through SHGs as a financial inclusion programme, respondents were selected on convenience sampling basis. 50 questionnaires were administered to men and women even though SHGs are focusing on women empowerment. . For secondary data and information, books and journals consulted. Averages and percentages are used to analyse the findings.

Literature review

The importance of financial inclusion in Indian financial market has grown significantly over the years. Since 1990-91, the Government of India, focusing on liberalization and economic reforms aimed at economic growth. The Indian rural market has responded very positively for the various financial inclusion programs. Financial inclusion process facilitates timely and adequate credit to all people of the country, including weaker sections of the society and low-income groups, at an affordable cost. As a result sufficient credit should be provided to all the sections of people, whenever they demand.

Sarma(2008) mentioned that , banks are the source of finance in the formal financial system, where as a financial inclusion is a process through which all members of an economy , including the weaker and disadvantaged sections, could be brought under a formal financial system. In the context of the study, financial inclusion is considered as an inclusive financial system which ensures availability of finance to the rural people of the country. As a part of it micro finance and SHGs are considered as a source of financial inclusion.

Micro-finance and SHGs

Micro –finance is gaining popularity throughout the world. The success of microfinance in India is mainly due to SHG linkage programmes of the NABARD. India today has emerged as a home of largest micro finance programmes in the world. A SHG is a group of individual members, who by free association, come together for a common collective purpose. These groups are formed with a theme of savings and credit. As members pool their savings on a regular basis to form a collective fund, it works with mutuality and trust. It is also aimed to achieve rural development through self development of individual member.

Analysis

Table 1: Awareness of rural people about financial inclusion

Awareness	Number	Percentage
Yes	18	36%
No	32	64%
Total	50	100%

The above table shows that about 64 percent of the rural people are not aware of financial inclusion programs.

Table 2: Perception of rural population towards banks and SHGs with special reference to loan facility

Preference	Number	Percentage
Banks	10	20%
SHGs	40	80%
Total	50	100

People have the opinion that loan facility in self help group is better than bank because it is easy to borrow and repay. Rural people prefer SHGs for their financial benefit and also to do social service through the groups.

Financial inclusion- Opportunities and challenges

The SHG-bank linkage programme is one of the best supported micro-finance system. The formal financial agencies were unable to finance the rural low income groups and rural poor. Thus through SHG-bank linkage programme commercial banks can fulfil their social goals like helping the poor and achieving operational efficiency.

- Growth in rural unorganized sector due to financial inclusion will have direct benefit to the government. It will mobilize more savings in turn national growth.
- Financial service providers can innovate and expand the range of financial services available for low income group people.
- Financial inclusion programmes will help to provide financial services to unbanked areas and to expand the banking services and products.

Findings and suggestions

- Micro finance training will not enhance the financial literacy of rural population.
- Members of the SHG are aware of guidelines and the code of conduct of SHG. But their awareness on rate of interest charged on internal borrowings is very less. This clearly shows that people treat financial inclusion programmes different from SHG finance.
- The widespread publicity of the financial inclusion programme will encourage the people to be aware of financial markets. And its operations.
- Micro finance and SHG can be instrumental to mobilize savings and for capital formation as they are already known to the rural people.

Conclusion

India has high growth potential as far as financial market is concerned. Both SHGs and financial inclusion programme have great impact on overall growth of rural finance. The rural Indian poor definitely deserve enlarging opportunities through financial inclusion programmes. The micro finance through SHGs should not be viewed as a programme for rural development and poverty alleviation. Rural investors have great trust on the financial services provided by the government. Rural investors prefer to invest in bank and government organisations and hence there is more scope for financial inclusion programmes.

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